

STAT

ARTICLE APPEARED
ON PAGE A1THE WASHINGTON POST
15 July 1981

A Security Breakdown

By George Lardner Jr.
Washington Post Staff Writer

The CIA has a reputation for making the strictest security checks in the U.S. intelligence community, but its investigation of Max Hugel appears to have been a hurry-up, seven-day job that failed to sound even a mild alarm about his complex business career.

Hugel, who held one of the CIA's most sensitive posts, wasn't particularly helpful himself. His dealings with two Wall Street brokers in the early 1970s involved what Hugel described as attempted "blackmail," but he said he saw no need to report this or other details of the acrimonious relationship when he joined the agency earlier this year.

The CIA's investigation posed a sharp contrast to the measured pace outlined in an official description of the agency's standard procedure.

Reaction from members of the Senate Intelligence Committee late yesterday indicated that the Hugel matter could cause problems for the Reagan administration on Capitol Hill.

As deputy director for operations, the post he resigned yesterday, Hugel had access to the government's top secrets and directed the agency's global network of covert intelligence agents.

The first interviews concerning Hugel were conducted by the CIA's Office of Security beginning Jan. 14, just one week before Hugel started work at the agency, and the last were completed on Jan. 16.

The records indicate that Hugel had been "cleared" at some CIA echelons on Jan. 19 and was given final approval by the Office of Security, pending some overseas checks, on Jan. 21, the day Hugel started work at the agency.

Some of the interviews, including a set in the New York area that contained just a whisper of criticism, were not put together and synthesized until March 6, several weeks after Hugel had been given his first promotion, to deputy director for administration.

Through it all, however, the Office of Security, which is responsible for investigating everyone hired at the agency, from top officials down to the cleaning crews, evidently found nothing to arouse its suspicions about Hugel's business dealings or any other facet of his life.

Under a longstanding directive from the director of central intelligence, last updated in 1976, anyone to be granted access to "sensitive compartmented information" —

— is
questi
advers
sistenc
tigator
No
of Ma
The
a rep
conser
alarm.
Stanle
them
tency.

They are uniformly full of praise, depicting Hugel as a hard-driving millionaire whose "workaholic" habits constitute his biggest failing.

In all, 28 people were interviewed in New York, New Jersey, New Hampshire and Florida, although nine were just short-time neighbors and acquaintances of acquaintances with nothing of substance to say.

Those questioned at length included Manchester (N.H.) Union Leader publisher William Loeb and other individuals that Hugel gave as references. They included his tax adviser in New York and a business associate in Florida who owns a penthouse near Hugel's in Bal Harbour.

The CIA also checked with what it called "developed informants," but this is apparently a catchall category that includes everyone, except neighbors, whom Hugel did not list as references.

For instance, Robert Howard, president of the Centronics Data Computer Corp., who had known Hugel for more than 20 years, was listed as a "developed informant." So was Roy Nagagawa, successor to Hugel as chief executive officer of Brother International Corp. in Piscataway, N.J., and an acquaintance since World War II.

The flavor of the interviews is reflected by those conducted Jan. 16 in the Miami area, where Hugel was described as "hard-driving, very adept, intelligent, capable of working well under pressure" — a man wealthy enough to relax, but who was, nonetheless, accustomed to working 18 to 20, sometimes 24 hours a day.

Police records turned up nothing but three speeding tickets in Nash-